SHARED REVENUE AND TAX RELIEF

Budget Summary by Funding Source

	2000-01 Base Year Doubled	2001-03 Governor	2001-03 Jt. Finance	2001-03 Legislature	2001-03 Act 16	Act 16 Change Over Base Year Doubled Amount	Percent
Direct Aid Payments							
Shared Revenue*	$1,860,919,600	$1,099,441,600	$1,860,919,600	$1,870,224,200	$1,870,224,200	$9,304,600	0.5%
Expenditure Restraint Program	114,000,000	120,000,000	114,000,000	114,570,000	114,570,000	570,000	0.5
Municipal Services Aid Account	0	573,478,000	0	0	0	0	0.0
Municipal Growth-Sharing Account	0	182,000,000	0	0	0	0	0.0
County Mandate Relief	41,527,600	41,527,600	41,527,600	41,735,200	41,735,200	207,600	0.5
Small Municipalities Shared Revenue	22,000,000	22,000,000	22,000,000	22,110,000	22,110,000	110,000	0.5
Payments for Municipal Services	43,130,600	43,130,600	43,130,600	43,779,800	43,779,800	649,200	1.5
State Aid for Exempt Computers	142,000,000	158,187,000	155,000,000	153,882,500	155,000,000	13,000,000	9.2
Property Tax Credits							
School Levy Tax Credit	$938,610,000	$938,610,000	$938,610,000	$938,610,000	$938,610,000	$0	0.0%
Homestead Tax Credit	193,600,000	179,000,000	181,900,000	181,900,000	181,900,000	- 11,700,000	-6.0
Farmland Preservation Credit	32,000,000	29,100,000	35,000,000	35,000,000	35,000,000	3,000,000	9.4
Other Credits							
Earned Income Tax Credit	$26,000,000	$25,090,000	$24,755,500	$24,755,500	$24,755,500	- $1,244,500	-4.8%
Cigarette and Tobacco Product Tax Refunds	20,620,000	20,200,000	22,600,000	25,100,000	25,100,000	4,480,000	21.7
Development Zones Job Credit	300,000	100,000	100,000	100,000	100,000	- 200,000	-66.7
Development Zones Sales Tax Credit	300,000	100,000	100,000	100,000	100,000	- 200,000	-66.7
Development Zones Investment Credit	5,000	4,000	4,000	4,000	4,000	- 1,000	-20.0
Development Zones Location Credit	5,000	4,000	4,000	4,000	4,000	- 1,000	-20.0
GPR TOTAL	$3,435,017,800	$3,431,972,800	$3,439,651,300	$3,451,875,200	$3,452,992,700	$17,974,900	0.5%
Other Credits							
Earned Income Tax Credit: Temporary Assistance for Needy Families	$108,000,000	$104,910,000	$103,444,500	$103,444,500	$103,444,500	- $4,555,500	-4.2%
PR TOTAL	$108,000,000	$104,910,000	$103,444,500	$103,444,500	$103,444,500	- $4,555,500	-4.2%
Property Tax Credits							
Lottery and Gaming Tax Credit	$211,446,200	$215,800,000	$200,017,300	$199,717,300	$199,717,300	- $11,728,900	-5.5%
Lottery and Gaming Credit-Late Applications	0	0	0	300,000	300,000	300,000	N.A.
Farmland Tax Relief Credit	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	0	0.0
SEG TOTAL	$241,446,200	$245,800,000	$230,017,300	$230,017,300	$230,017,300	- $11,428,900	-4.7%
TOTAL	$3,784,464,000	$3,782,682,800	$3,773,113,100	$3,785,337,000	$3,786,454,500	$1,990,500	0.1%

*Under the Governor's proposal, this appropriation would fund only county payments at the base year level, beginning in 2002-03. Municipal payments in 2002-03 would be funded from the combination of the proposed municipal services aid account and municipal growth-sharing account and would be reduced by $6,000,000 in total from the base year level. The Joint Committee on Finance deleted these changes.

Direct Aid Payments

1. SHARED REVENUE MODIFICATIONS [LFB Papers 825 and 826]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	- $6,000,000	$6,000,000	$0

Governor: Modify the shared revenue program as follows:

County Shared Revenue. Eliminate references to municipalities under current law provisions relating to the shared revenue program and clarify that the shared revenue program, except for the public utility distribution, pertains exclusively to counties. Rename the appropriation the "county shared revenue account" and set annual funding for the county distribution at $168,981,800, beginning in 2002. Provide that these provisions would first apply to payments in 2002.

State Aid to Municipalities. Replace the municipal shared revenue program with a municipal aid distribution comprised of payments from two new appropriations. Create a sum sufficient appropriation named the municipal services aid account to make payments to municipalities under the utility aid distribution, as authorized under current law, and under an aidable expenditures distribution and a minimum payments provision, as created under the bill. Create a sum sufficient appropriation named the "municipal growth-sharing account" to make payments to municipalities under a growth-sharing regions distribution and a minimum payments provision, as created under the bill.

Modify the current law provision regarding payment estimates, which requires DOR to provide estimates of payment amounts to each municipality on or before September 15 of each year, to include estimates of payments under the new distributions. Modify current law provisions regarding payment dates, which require 15% of estimated amounts to be paid in July and the balance of payments to be paid in November, to extend to the amounts to be paid under the new distributions. Authorize municipalities to transfer their payments under the new program to the local government pooled-investment fund, rather than receive the payments directly, as is allowed for current shared revenue payments. Extend current law provisions that allow public inland lake protection and rehabilitation districts to instruct DOA to divert shared revenue payments from municipalities that have failed to pay a special assessment to the district to the new municipal aid distribution. Provide that these provisions would first apply to payments in 2002.

Funding. Eliminate $761,478,000 in funding for payments to municipalities under the shared revenue program in 2002-03. Set the total distribution for municipal aid under the municipal services aid and growth-sharing accounts at $755,478,000 in 2002 (2002-03). Reduce

funding by $6,000,000 in 2002-03 to reflect these changes. Establish annual funding for the municipal growth-sharing account as an amount equal to 5% of the state's general sales and use tax collections in the fiscal year two years prior to the fiscal year of the distribution from the account. Require DOR to determine the amount to be distributed. Estimate the distribution for 2002 at $182,000,000, based on estimated sales and use tax collections for 2000-01. Establish funding for the municipal services aid account in 2002 (2002-03) as an amount equal to $755,478,000 minus the amount distributed from the municipal growth-sharing account. Estimate the distribution from this account for 2002 at $573,478,000. Establish funding for the municipal services aid account in 2003 and thereafter as the amount distributed from the account in 2002 as utility aid and aidable expenditure entitlements.

Aidable Expenditure Entitlements. Create a new aid distribution for municipalities named "aidable expenditure entitlements," beginning in 2002. Set funding for the distribution as the amount in the municipal services aid account, less any public utility aid distributed to municipalities. Provide that aid would be allocated to municipalities in an amount equal to each municipality's entitlement, to be defined as the result of multiplying each municipality's aidable expenditures by its tax base weight.

Define aidable expenditures as a municipality's expenditures for general government operations, law enforcement, fire protection, ambulance services, other public safety services and health and human services in the year two years prior to the aid payment. Specifically exclude a municipality's expenditures for highway maintenance, highway administration, highway construction, road-related facilities, other transportation, solid waste collection and disposal, other sanitation, culture, education, parks, recreation, conservation and development from the definition. Limit a municipality's aidable expenditures in any year to the lesser of the actual amount of expenditures in the year two years prior to the payment year or the average of the amount of the municipality's aidable expenditures in 1998, 1999 and 2000, increased by the cumulative percentage calculated under the expenditure restraint program by which the municipality could have increased its budget and still have been eligible for a payment under that program, regardless of whether the municipality was eligible for a payment. Provide that the cumulative percentage be calculated from 1999 to the year two years prior to the payment year.

Define tax base weight as one minus the decimal obtained by dividing the municipality's full valuation by its standardized valuation. Define full valuation as the full value of all taxable property of a municipality for the year before the entitlement as equalized for state tax purposes. Specify that full valuation includes the value increments of tax incremental districts and of environmental remediation tax incremental districts, if the municipality created the district, and the value of manufacturing real estate. Specify that full valuation excludes the full value of exempt computers and related equipment. Define standardized valuation as the result of multiplying the municipality's population in the year before the entitlement by the standardized valuation per person. Define standardized valuation per person as the number that, when used to calculate entitlements, most nearly approximates the sum of entitlements for

all municipalities to the funds available for distribution as aidable expenditure entitlements. Specify that a municipality's tax base weight cannot be less than zero.

The formula for calculating each municipality's aidable expenditure entitlement may be expressed as follows:

Entitlement = Aidable Expenditures x Tax Base Weight

Aidable Expenditures = the lesser of:

Sum of actual expenditures from two years prior for general government operations, law enforcement, fire protection, ambulance services, other public safety services and health and human services; or

Average expenditures for 1998, 1999 and 2000 for general government operations, law enforcement, fire protection, ambulance services, other public safety services and health and human services, adjusted by a percentage based on the change in the consumer price index and the change in the municipality's tax base due to new construction.

Tax Base Weight = 1 - (Municipality's Full Valuation / Standardized Valuation)

Municipality's Full Valuation is the full value of all taxable property in the municipality in the year prior to the entitlement.

Standardized Valuation is the municipality's population in the year prior to the entitlement multiplied by the standardized valuation per person.

Standardized Valuation Per Person is the number that, when used to calculate entitlements, most nearly approximates the sum of entitlements for all municipalities to the funds available for distribution.

Growth-Sharing Regions Entitlements. Create a new aid distribution for municipalities named "growth-sharing regions entitlements," beginning in 2002. Set funding for the distribution as the amount in the municipal growth-sharing account. Provide that aid would be allocated to growth-sharing regions in proportion to the state sales and use taxes collected in the region as a percentage of total state sales and use tax collections, for the fiscal year two years prior to the distribution. Provide that the aid allocated to each region would then be allocated to the underlying municipalities in proportion to each eligible municipality's population in the year of the payment as a percentage of the total population of municipalities in the region that are eligible for an entitlement. Require DOR to promulgate an administrative rule, by September 1, 2001, that defines growth-sharing region and divides the state into seven to 25

such regions. Require DOR to annually estimate the amount of state sales and use taxes collected within each region.

Modify the current definitions of municipality and population for purposes of calculating growth-sharing entitlements. Provide that if a municipality is in more than one growth-sharing region, the municipality's population would be divided between the regions according to where the population resides.

Allocate growth-sharing entitlements to all municipalities in 2002. Limit growth-sharing entitlements in 2003, and in each year thereafter, to municipalities that meet two eligibility criteria: (a) the municipality limits the growth in its budget for the year prior to the year of the payment to the percentage calculated for the municipality under the budget restraint provision of the expenditure restraint program; and (b) the municipality certifies to DOR in the year prior to the payment that it has entered into the required number of area cooperation compacts with counties or other municipalities.

Area Cooperation Compacts. Specify that an area cooperation compact provide a plan for any municipalities or counties that enter into the compact to collaborate to provide certain functions. Enumerate the following functions for inclusion in compacts: (a) housing; (b) emergency services; (c) fire protection; (d) solid waste collection and disposal; (e) recycling; (f) public health; (g) animal control; (h) transportation; (i) mass transit; (j) land use planning; (k) boundary agreements; (l) libraries; (m) parks and recreation; (n) culture; (o) purchasing; and (p) electronic government. Require compacts to provide benchmarks to measure the plan's progress and provide outcome-based performance measures to evaluate the plan's success. Require municipalities and counties that enter into compacts to structure the compact in a way that results in significant tax savings to taxpayers within those municipalities and counties.

Require municipalities to enter into a compact with at least two other municipalities or counties, or with any combination of at least two such entities, to perform at least two of the enumerated functions to receive growth-sharing entitlements in 2003 through 2005. Require municipalities to enter into a compact with at least four other municipalities or counties, or with any combination of at least four such entities, to provide law enforcement and to perform at least five of the other enumerated functions to receive growth-sharing entitlements in 2006 and thereafter. Waive the preceding requirement regarding the number of municipalities and counties that must enter into compacts for municipalities that are not adjacent to at least two other municipalities. Allow such municipalities to enter into a compact with any adjacent municipality or with the county in which the municipality is located to perform the number and type of functions specified above, as applicable to the year of the payment.

Direct the Legislative Audit Bureau to prepare a report on the performance of area cooperation compacts and submit copies of the report to the chief clerk of each house of the Legislature for distribution to the appropriate standing committees by June 30 of each year, beginning in 2004.

Require area cooperation compacts, to the extent that they affect land use, to be consistent with local government comprehensive plans, beginning on January 1, 2010.

Minimum Payments. Create a minimum payment provision for municipalities whose combined aidable expenditure and growth-sharing regions entitlements are less than 95% of their payments in the prior year. Set each eligible municipality's minimum payment at the amount necessary to bring its total payments to 95% of the prior-year level. Fund minimum payments from amounts withheld from other municipalities under the maximum payment provisions. Calculate prior-year payments in 2002 as the amounts received in 2001 under the per capita, aidable revenues and minimum/maximum payment provisions of the shared revenue program. Calculate prior-year payments in 2003, and thereafter, as the municipality's combined aidable expenditure and growth-sharing regions entitlements, as adjusted under the minimum/maximum payment provisions. Exclude growth-sharing regions entitlements from minimum calculations beginning in 2003 for municipalities that receive an entitlement in the current year, but did not receive an entitlement in the preceding year, and for municipalities that do not receive an entitlement in the current year, but received an entitlement in the preceding year.

Maximum Payments. Create a maximum payment provision for municipalities whose combined aidable expenditure and growth-sharing regions entitlements exceed the maximum allowable increase over their payments in the prior year. Reduce a municipality's combined entitlements by the amount that the sum of these entitlements exceeds the maximum allowable increase for the year. Define maximum allowable increase as a percentage such that the sum of the payment reductions for all municipalities in that year is equal to the sum of the minimum payments in that year. Calculate prior-year payments in 2002 as the amounts received in 2001 under the per capita, aidable revenues and minimum/maximum payment provisions of the shared revenue program. Calculate prior-year payments in 2003, and thereafter, as the municipality's combined aidable expenditure and growth-sharing regions entitlements, as adjusted under the minimum/maximum payment provisions. Exclude growth-sharing regions entitlements from maximum calculations beginning in 2003 for municipalities that receive an entitlement in the current year, but did not receive an entitlement in the preceding year, and for municipalities that do not receive an entitlement in the current year, but received an entitlement in the preceding year.

Joint Finance/Legislature: Delete provision.

2. SHARED REVENUE -- FUNDING LEVEL

GPR	$9,304,600

Senate/Legislature: Increase funding for the shared revenue program by $9,304,600 in 2002-03. Set the distribution level for municipal payments at $769,092,800 in 2002 and at $776,783,700 in 2003 and thereafter. Set the distribution level for county payments at $170,671,600 in 2002 and at $172,378,300 in 2003 and thereafter. The additional funding

represents annual increases of 1%. Because the 2003 distribution occurs in 2003-04, no fiscal effect for that increase is reflected in the 2001-03 biennium.

[Act 16 Section: 2281d]

3. SHARED REVENUE AND COUNTY MANDATE RELIEF DISTRIBUTION FORMULAS [LFB Paper 827]

Joint Finance: Direct DOR to use the population amounts employed in the September, 2000, payment estimates to calculate the 2001 actual shared revenue and mandate relief payments in July and November, 2001. Direct DOA to provide DOR with 2001 and 2002 population estimates that are reconciled with the population figures from the 2000 census amounts, to the best of DOA's ability, by August 1, 2001, and direct DOR to use the reconciled figures when it provides estimates of 2002 payments in September, 2001. Direct DOA to provide DOR with 2000 and 2001 population estimates that are reconciled with the population figures from the 2000 census, to the best of DOA's ability, by August 1, 2002, and direct DOR to use the reconciled figures to calculate corrections to 2001 payments in 2002.

Senate/Legislature: Remove the Joint Committee on Finance provisions related to the use of census figures in shared revenue calculations as they relate to municipalities, but not to counties. Require DOR to use the population amounts that it employed in its November, 2000, calculations of municipal shared revenue payments when it calculates corrections to those payments in 2001. Require DOR to use the population amounts that it employed in the September, 2000, payment estimates to calculate actual and corrected 2001 municipal shared revenue payments. Direct DOR to calculate each municipality's shared revenue payment for 2002 and 2003 by increasing the municipality's prior year payment by 1%. Specify that each municipality's shared revenue payment for 2004 and each subsequent year be set at an amount equal to its payment in 2003.

Veto by Governor [F-17]: Delete the language that would "freeze" each municipality's payment, beginning in 2004, at the amount that was paid in 2003 and remove the phrase "under this section" from the provision that specifies the procedures for calculating payments in 2002 and 2003. This latter partial veto clarifies that the uniform, 1% payment increases extend to the combined amounts calculated under the utility aid, per capita, aidable revenues and minimum / maximum components of the shared revenue program, but not to amounts paid under the small municipalities shared revenue program. In 2004, shared revenue payments will be calculated according to the formulas used to calculate payments in 2001, provided there are no further law changes.

[Act 16 Sections: 2281e and 9144(2e)]

[Act 16 Vetoed Section: 2281e]

4. SHARED REVENUE PAYMENTS ON PROPERTY OF WHOLESALE MERCHANT PLANTS [LFB Papers 828 and 829]

Governor: Modify current utility aid provisions under the shared revenue program to specifically refer to property of light, heat and power companies subject to the proposed license fee for selling electricity at wholesale (see the section of this document for "General Fund Taxes -- Other General Fund Taxes" for information on this fee) and to property of wholesale merchant plants, effective with payments made as of January 1, 2002. Increase the shared revenue appropriation by any additional amount of utility aid resulting from the property of wholesale merchant plants if that property did not exist in the previous year, beginning in 2002.

Current law defines wholesale merchant plants as electric generating plants and facilities that do not provide service to retail customers and that are owned and operated by an affiliated interest of a public utility or by a person that is not a public utility. Under utility deregulation, merchant plants are expected to become a more common vehicle for power generation. For 2001, total utility aid payments are estimated at $26.5 million, or 2.8% of the $930.5 million in total shared revenue funding. Combined utility aid payments to counties and municipalities generally equal nine mills multiplied by the net book value of qualifying property. Under these provisions, when the formula used to calculate payments generates additional aid to counties and municipalities due to the location of merchant plants, the amount to be distributed from the shared revenue account would increase by an identical amount. Under other provisions in the bill, utility aid would be paid to municipalities from a newly-created municipal services aid account, rather than from the shared revenue account, beginning in 2002. To ensure that aid increases for municipalities would occur, a technical change to the bill would be necessary. Also, because the aid increase is contingent only on the location of merchant plants, an increase in the overall level of aid would not occur if a new plant is constructed by an investor-owned utility. DOA has estimated that the aid increase mechanism will not be triggered in 2002-03.

Joint Finance/Legislature: Delete provision. Change the definition of a qualified wholesale electric company under Chapter 76 of the statutes to clarify that a qualified wholesale electric company includes a wholesale merchant plant, as defined under Chapter 196 of the statutes, as long as the merchant plant has a minimum total power production capacity of 50 megawatts. This would have the effect of insuring that utility aid payments would be made on wholesale merchant plants.

[Act 16 Sections: 2234m, 2234n and 9444(2p)]

5. SHARED REVENUE -- MODIFICATIONS TO UTILITY AID PAYMENTS

Assembly: Make the following modifications to the utility aid formula.

Limitations on Payment Amounts. Increase the limits on the value of utility property in a municipality or county and the per capita payment limits for municipalities and counties for purposes of calculating utility aid under the shared revenue program, beginning with payments

for 2003. Set the limits on value at $140,000,000 for payments in 2003, $160,000,000 for payments in 2004, $185,000,000 for payments in 2005 and $250,000,000 for payments in 2006 and thereafter. Set the per capita limit at $450 for municipalities and $225 for counties for payments in 2003, $650 for municipalities and $325 for counties for payments in 2004, $950 for municipalities and $475 for counties for payments in 2005 and $1,200 for municipalities and $600 for counties for payments in 2006 and thereafter. Based on data used to calculate shared revenue payments for 2000 and information from DOR, this provision would increase utility aid payments to seven municipalities and six counties. For the 13 identified local governments, the effects of the higher limitations in the first year and final year are estimated below, on the basis of 2000 utility aid payments.

Municipality or County	Current Payment	Estimated Change in: First Year	Estimated Change in: Final Year
City of Alma	$278,700	$139,350	$462,454
Town of Christiana	378,600	45,000	203,385
City of Oak Creek	750,580	90,000	105,077
Village of Pleasant Prairie	753,243	90,000	750,000
City of Sheboygan	754,670	90,000	299,938
Town of Two Creeks	144,600	72,300	433,800
City of Whitewater	750,513	90,000	124,367
Municipal Total	$3,810,906	$616,650	$2,379,020
Dane County	$469,602	$90,000	$390,000
Jefferson County	969,431	45,000	62,184
Kenosha County	1,029,446	45,000	375,000
Manitowoc County	768,226	90,000	750,000
Milwaukee County	884,265	45,000	52,538
Sheboygan County	495,120	45,000	149,969
County Total	$4,616,090	$360,000	$1,779,691

Aid for Newly-Constructed Production Plants. Provide for additional utility aid payments for counties and municipalities that contain newly-constructed production plants. Extend the payments for any production plant that is not nuclear-powered and meets the following conditions: (a) the plant is built either on the site of an existing or retired production plant or on the site of a brownfield, as defined under current law; (b) the plant is operating at a total power production capacity of at least 50 megawatts; and (c) the plant is built after the effective date of this act. Provide that the increases, both for counties and municipalities, equal one mill multiplied by the net book value of the plant, if the plant is not a nuclear-powered or coal-powered plant. Provide that the increase for municipalities equals two mills and the increase for counties equals one mill, both multiplied by the net book value of the plant, if the plant is a coal-powered plant.

Aid for Decommissioned Production Plants. Create an aid payment for municipalities and counties where a production plant is decommissioned. Extend the payment for property that meets the following conditions: (a) it was exempt from general property taxes because it was subject to the state utility tax; (b) it was used to generate power by a light, heat and power company, other than a municipal utility company; and (c) it is decommissioned. Calculate the payment as the amount determined by subtracting the amount of property taxes paid on the property to the municipality or the county in the current year from an amount determined by multiplying the aid that was paid to the municipality or county on the property in the last year the property was exempt from general property taxes by a percentage. Set the percentages at the following amounts based on the year the property becomes taxable: (a) 100% in the first year; (b) 80% in the second year; (c) 60% in the third year; (d) 40% in the fourth year; and (e) 20% in the fifth year. This payment would be in addition to the payments authorized under current law that municipalities receive for decommissioned plants. Each municipality and county is guaranteed a minimum payment of $75,000 if a production plant with a rated capacity of 200 megawatts or greater is located within its borders. The $75,000 minimum guarantee for municipalities is phased-out at a rate of 10% per year when plants over 200 megawatts are decommissioned. Because the payments are terminated when the plant is returned to the local property tax roll, the phase-out is unlikely to continue for the entire ten years.

Municipal and County Distribution Levels. Set the annual distribution under the municipal shared revenue program at $761,478,000 plus the difference between the amount of municipal utility aid calculated under the distribution formula authorized under current law and the amount of municipal utility aid calculated under the distribution formula as modified by this proposal, beginning in 2003. Set the annual distribution under the county shared revenue program at $168,981,800 plus the difference between the amount of county utility aid calculated under the distribution formula authorized under current law and the amount of county utility aid calculated under the distribution formula as modified by this proposal, beginning in 2003. This provision is intended to provide additional funding through the utility aid distribution to hold municipalities and counties harmless from the effects of the preceding formula changes.

Conference Committee/Legislature: Delete provision.

6. USE OF COUNTY SHARED REVENUE [LFB Paper 830]

Governor: Require counties to use aid payments received under the shared revenue and mandate relief programs to pay expenses related to certain programs that are not funded by other state or federal aid or a designated revenue source before the aid is used for other county costs that would otherwise be funded through the property tax, beginning with payments received after the effective date of the bill. Specify that this requirement would extend priority treatment to costs for the following programs: probation and parole holds in county jails, circuit courts and community and youth aids. Under current law, counties receive $189,745,600 annually under the shared revenue and mandate relief programs.

Joint Finance/Legislature: Delete provision.

7. SHARED REVENUE -- EXCLUDE CERTAIN COUNTIES FROM MAXIMUM PAYMENT COMPONENT

Assembly: Exclude any county that was incorporated in 1846 and had a 1990 population that was greater than 16,000, but less than 17,000, as determined by the 1990 federal decennial census, from the maximum payment provision of the shared revenue program, beginning with the payment to be made in November, 2001. This provision would exclude Lafayette County from the shared revenue provision that limits the year-to-year increase in county shared revenue payments to a maximum percentage. It would have the effect of increasing Lafayette County's 2001 shared revenue payment by an estimated $1,206,153, from $235,710 to $1,441,863. As a result, payment increases to other counties would be limited to a lower percentage amount (an estimated 1.55%, compared to 2.89% under current law). Since 1996, an identical provision has extended to counties that do not contain any incorporated municipalities and applies to Florence and Menominee Counties.

Conference Committee/Legislature: Modify the provision by replacing the reference to a county "incorporated in 1846" with a reference to a county "created in 1846 or 1847." The provision would continue to apply only to Lafayette County.

Veto by Governor [F-18]: Delete language that specifies that the law change "first applies to payments made in November 2001" so that the act reads that the law change "first applies November 20." November 20, 2001, is one day after the final payment date for 2001 payments, and the Governor's veto message indicates that the law change will first affect payments in 2002. However, the language, as vetoed, does not specify the year in which the law change should first apply.

[Act 16 Sections: 2287 and 9344(9m)]

[Act 16 Vetoed Section: 9344(9m)]

8. SHARED REVENUE STUDY

Assembly/Legislature: Direct DOR to conduct a study on restructuring the shared revenue program to encourage high-growth sectors of the economy and the creation of high-quality jobs. Require the study to contain elements addressing how the program could be modified to: (a) set aside up to 10% of the total distribution for purposes related to matching local efforts to encourage the creation of high-quality jobs; (b) incorporate smart growth planning concepts; and (c) allow towns to maintain their boundaries in exchange for their shared revenue payments. Require DOR to report the results of its study to the Secretary of DOA no later than January 1, 2003.

[Act 16 Section: 9144(1c)]

9. EXPENDITURE RESTRAINT -- FUNDING LEVEL [LFB Papers 825 and 826]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Legislature (Chg. to JFC)	Net Change
GPR	$6,000,000	- $6,000,000	$570,000	$570,000

Governor: Increase funding for the expenditure restraint program by $6,000,000 in 2002-03. Set the distribution level for calendar year 2002 and thereafter at $63,000,000. The additional funding represents an increase of 10.5% over the current law funding level of $57,000,000. When combined with aid proposed from the municipal services aid account and the municipal growth-sharing account, statewide aid to municipalities in 2002 would equal the amounts paid to municipalities under the expenditure restraint and shared revenue programs in 2001.

Joint Finance: Delete provision.

Senate/Legislature: Increase funding for the expenditure restraint program by $570,000 in 2002-03. Set the distribution level for calendar year 2002 at $57,570,000 and for calendar year 2003 and thereafter at $58,145,700. The additional funding represents annual increases of 1%. Because the 2003 distribution occurs in 2003-04, no fiscal effect for that increase is reflected in the 2001-03 biennium.

[Act 16 Section: 2255d]

10. EXPENDITURE RESTRAINT -- BUDGET TEST

Senate: Exclude amounts paid by a municipality under a municipal revenue sharing agreement from the year-to-year comparison of municipal budgets for purposes of the budget test under the expenditure restraint program. Specify that this provision first applies to eligibility for an expenditure restraint payment in 2003. To qualify for an expenditure restraint payment, a municipality must have a local purpose tax rate in excess of five mills and must restrict the year-to-year growth in its budget to a percentage determined by statutory formula.

Assembly: Modify the budget test under the expenditure restraint program to provide for the following adjustments: (a) exclude amounts paid by a municipality under a municipal revenue sharing agreement, as provided by DOR rule; (b) increase the year-to-year allowable increase by 50% of the difference between the prior year's allowable and adopted budgets; and (c) exclude amounts paid from segregated accounts, as defined below. Authorize municipalities to accumulate cash or other liquid assets in nonlapsing reserve funds kept in segregated accounts in the municipal treasury for the following purposes: (a) the purchase of capital assets that are expected to last at least several years; (b) the construction or repair of public infrastructure; or (c) the payment or financing of recovery or building costs that are necessitated by a natural disaster. Provide that each reserve fund must have a designated,

specific purpose for which the cash or other assets are being accumulated and that the cash or other assets may be spent only for the specified purpose. Specify that these adjustments first apply to eligibility for an expenditure restraint payment in 2003. To qualify for an expenditure restraint payment, a municipality must have a local purpose tax rate in excess of five mills and must restrict the year-to-year growth in its general fund budget to a percentage determined by statutory formula.

Conference Committee/Legislature: Include the Senate provision.

[Act 16 Sections: 2285b and 9344(24p)]

11. COUNTY MANDATE RELIEF -- FUNDING LEVEL

GPR	$207,600

Senate/Legislature: Increase funding for the county mandate relief program by $207,600 in 2002-03. Set the distribution level for calendar year 2002 at $20,971,400 and for calendar year 2003 and thereafter at $21,181,100. The additional funding represents annual increases of 1%. Because the 2003 distribution occurs in 2003-04, no fiscal effect for that increase is reflected in the 2001-03 biennium.

[Act 16 Sections: 2285d, 2285e and 2285f]

12. SMALL MUNICIPALITIES SHARED REVENUE -- FUNDING LEVEL

GPR	$110,000

Senate/Legislature: Increase funding for the small municipalities shared revenue program by $110,000 in 2002-03. Set the distribution level for calendar year 2002 at $11,110,000 and for calendar year 2003 and thereafter at $11,221,100. The additional funding represents annual increases of 1%. Because the 2003 distribution occurs in 2003-04, no fiscal effect for that increase is reflected in the 2001-03 biennium.

[Act 16 Section: 2280m]

13. PAYMENTS FOR MUNICIPAL SERVICES -- FUNDING LEVEL

GPR-REV	$298,600
GPR	$649,200

Senate/Legislature: Increase funding for payments for municipal services by $215,700 in 2001-02 and $433,500 in 2002-03 to provide a 1% annual increase. Estimate additional GPR-Earned through agency chargebacks under the payments for municipal services program at $99,200 in 2001-02 and $199,400 in 2002-03.

14. STATE AID FOR EXEMPT COMPUTERS [LFB Paper 831]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Legislature (Chg. to JFC)	Veto (Chg. to Leg)	Net Change
GPR	$16,187,000	- $3,187,000	- $1,117,500	$1,117,500	$13,000,000

Governor: Increase funding by $6,016,000 in 2001-02 and $10,171,000 in 2002-03 to reflect growth in the value of exempt computers. Total aid payments are estimated at $77,016,000 in 2001-02 and $81,171,000 in 2002-03. Payments are made from the sum sufficient appropriation to compensate local governments for the tax base lost due to the property tax exemption for computers and related equipment.

Joint Finance: Decrease funding by $416,000 in 2001-02 and $2,771,000 in 2002-03 to reestimate the sum sufficient appropriation at $76,600,000 in 2001-02 and $78,400,000 in 2002-03. Specify that computer aid will not be paid on property that is exempt both under the property tax exemption for computers and under any other provision in Chapter 70 of the statutes that exempts property from general property taxes. Modify the property tax exemption for computers by deleting the reference to custom software. Specify that these provisions would first apply to property assessed as of January 1, 2002.

Senate/Legislature: Decrease funding by an additional $1,117,500 in 2002-03 to reflect the exclusion of automatic teller machines from the property tax exemption for computers (see Item #5 under Shared Revenue and Tax Relief -- Property Taxation).

Veto by Governor [F-20]: Increase the sum sufficient appropriation by an estimated $1,117,500 in 2002-03 to reflect the Governor's partial veto of the provision that would have removed automatic teller machines from the definition of computers.

[Act 16 Sections: 2108q and 9344(28b)]

[Act 16 Vetoed Sections: 2108q and 9344(23k)]

15. DEPRECIATION SCHEDULE FOR EXEMPT COMPUTERS

Assembly: Establish a depreciation schedule for valuing exempt computer property under which computer property would be valued at 67% of its original cost in the year following its acquisition and at 33% of its original cost in the year two years following its acquisition. Specify that the value of exempt computers that are three or more years old be set at zero. Extend these provisions to the valuation of exempt computers as currently determined by owners of personal property on returns filed with assessors and by DOR with regard to its valuation of manufacturing property and its certification of exempt computer values for purposes of state aid calculations. Provide that these provisions first apply to values determined as of January 1, 2003.

This provision would change the depreciation schedule that is used to value exempt computers by shortening the schedule from eight years to two years. The current schedule is

based on a four-year useful life, since most of the value is depreciated after four years. The change in depreciation schedules would have the effect of reducing the amount of exempt computer value on which state aid is paid. Based on current year data, the value is estimated to decrease from $3.2 billion to $1.7 billion, and computer aid payments to local governments are estimated to decrease by $37.3 million, beginning in 2003-04.

Conference Committee/Legislature: Delete provision.

Property Tax Credits

1. HOMESTEAD TAX CREDIT REESTIMATE [LFB Paper 835]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	- $14,600,000	$2,900,000	- $11,700,000

Governor: Decrease funding by $5,800,000 in 2001-02 and $8,800,000 in 2002-03 for the sum sufficient appropriation to reflect anticipated costs of the credit in the biennium. The estimated decline in expenditures primarily reflects the growth in household income compared to the constant formula factors. With these adjustments, estimated total funding would be decreased from an adjusted base level of $96,800,000 to $91,000,000 in 2001-02 and $88,000,000 in 2002-03.

Joint Finance/Legislature: Increase funding by $900,000 in 2001-02 and $2,000,000 in 2002-03 to reestimate the sum sufficient appropriation at $91,900,000 in 2001-02 and $90,000,000 in 2002-03.

2. HOMESTEAD TAX CREDIT -- EXCLUSION OF INTEREST INCOME FROM SALE OF HOME

Assembly: Exclude from the definition of income under the homestead tax credit program the amount of interest income received from the installment sale of business, farm or rental real property, which includes a claimant's former homestead, up to the amount of interest that is paid by the claimant on a mortgage used for the purchase of another homestead. Specify that this change would first apply to claims filed for taxable years beginning on January 1 of the year the bill takes effect, except that if the bill takes effect after July 31, specify that this change would first apply to claims filed for taxable years beginning on January 1 of the year following the bill's effective date. The fiscal effect of this provision is estimated to be minimal.

Conference Committee/Legislature: Delete provision.

3. FARMLAND PRESERVATION TAX CREDIT REESTIMATE [LFB Paper 835]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	- $2,900,000	$5,900,000	$3,000,000

Governor: Decrease funding by $1,400,000 in 2001-02 and $1,500,000 in 2002-03 for the sum sufficient appropriation to reflect anticipated costs of the credit in the biennium. With these adjustments, estimated total funding would be decreased from an adjusted base level of $16,000,000 to $14,600,000 in 2001-02 and $14,500,000 in 2002-03.

Joint Finance/Legislature: Increase funding by $2,600,000 in 2001-02 and $3,300,000 in 2002-03 to reestimate the sum sufficient appropriation at $17,200,000 in 2001-02 and $17,800,000 in 2002-03.

4. LOTTERY AND GAMING TAX CREDIT [LFB Paper 810]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Legislature (Chg. to JFC)	Net Change
SEG	$4,353,800	- $15,782,700	- $300,000	- $11,728,900

Governor: Increase funding by $1,676,900 in 2001-02 and $2,676,900 in 2002-03 for the sum sufficient appropriation to reflect reestimates of lottery and gaming proceeds available for distribution. As a result, tax credit distributions are estimated at $107,400,000 in 2001-02 and $108,400,000 in 2002-03. However, the lottery and gaming revenues under the bill would support credits of only $102,735,200 in 2001-02 and $102,672,100 in 2002-03.

Joint Finance: Decrease funding by $6,240,100 in 2001-02 and $9,542,600 in 2002-03 to reestimate the sum sufficient appropriation at $101,159,900 in 2001-02 and $98,857,400 in 2002-03.

Assembly/Legislature: Decrease funding by $150,000 annually to reflect the creation of a separate appropriation to pay credits on certain properties where the credit did not appear on the property tax bill (see Item #6). As a result, the sum sufficient appropriation for the lottery and gaming credit would be estimated at $101,009,900 in 2001-02 and $98,707,400 in 2002-03.

5. MUNICIPAL LOTTERY AND GAMING CREDIT PAYMENT CORRECTIONS

Governor/Legislature: Modify the current law procedure for correcting errors in lottery and gaming credit payment notices submitted to the state by municipalities. If the municipality discovers an error in this notice, require the municipality to correct the error and notify DOR on a form prescribed by the Department. If DOA or DOR discover the error, require them to notify

the municipality and require the municipality to correct the error. In addition to the procedure under current law, authorize municipalities to immediately repay the state for any overpayments and allow DOA to collect overpayments as special charges if a municipality does not make a repayment. Also, in addition to the procedure under current law, authorize DOR to immediately pay municipalities the amount of any underpayments. Provide that all payment corrections be made without interest. Currently, municipalities inform DOR by March 1 of the amount of lottery and gaming credits extended on tax bills, and DOA pays the municipality that amount on the fourth Monday in March. If a payment error occurs, current law directs DOA or DOR to adjust the succeeding year's credit payment to the municipality by the amount of the error. This provision would allow corrections to be made earlier, but would not require such earlier corrections.

[Act 16 Sections: 933 and 2292 thru 2294]

6. APPLICATIONS FOR THE LOTTERY AND GAMING CREDIT

SEG	$300,000

Assembly/Legislature: Extend the lottery and gaming credit to properties eligible for the credit, but where the credit is not reflected on the property's tax bill and the owner applies for the credit after January 31, but no later than October 1, following the issuance of the tax bill. Require DOR to calculate the amount of the credit, issue a check to the owner for that amount and notify the county or municipal treasurer where the property is located that the property is eligible for the credit in the next year. Direct the treasurer to record the property as eligible for the credit on the next tax roll, unless the property has been transferred and the current owner attests that the property was previously used in a way that made it eligible for the credit. Create a sum sufficient appropriation to make payments from the lottery fund under this provision and estimate payments from this appropriation at $150,000 SEG annually. The lottery credit appropriation would decrease by $150,000 SEG annually to reflect the payment of late credits from the new appropriation (see Item #4). Specify that these provisions first apply to credits related to property assessed as of January 1, 2001. Extend the provisions to claims made by owners of otherwise eligible property for the 1999(00) or the 2000(01) tax years if the owner files a claim with DOR no later than October 1, 2001.

[Act 16 Sections: 933j, 2294ec thru 2294eh, 9144(4p) and 9344(2p)]

Property Taxation

1. TAXATION OF PROPERTY OF PUBLIC UTILITY HOLDING COMPANIES

Governor/Legislature: Provide that property, other than land, that is owned by a public utility holding company, as defined under federal law, would be assessed for purposes of general property taxes on the portion of the fair market value of the property that is not used to

provide services to an affiliated light, heat and power company that is subject to the state gross revenues license fee, effective with property assessed as of January 1, 2001. Under current law, public utility holding companies do not meet the definition of light, heat and power companies, so they are not subject to the state's gross revenue license fee, which is imposed in lieu of general property taxes. As a result, the property of public utility holding companies is subject to general property taxes. This provision would provide a property tax exemption for that portion of a public utility holding company's property that is used to provide services to the utility affiliated with the holding company.

[Act 16 Sections: 2103, 2111, 2112, 3749 and 9344(27)]

2. PROPERTY TAX EXEMPTION FOR TREATMENT PLANT AND POLLUTION ABATEMENT EQUIPMENT

Governor/Legislature: Eliminate the requirement that property owners apply for and DOR approve property tax exemptions for treatment plant and pollution abatement equipment. Remove the limitation of the income tax deduction for such property to only that approved for the property tax exemption by DOR. Eliminate related provisions regarding notification of local assessors, filing extensions and appeal procedures to the board of assessors and the tax appeals commission. Specify that taxpayers subject to state ad valorem taxation administered under Chapter 76 (air carriers, conservation and regulation companies, railroad companies, sleeping car companies, pipeline companies and telephone companies) would have to continue to file requests and be subject to DOR approval of a property tax exemption and that the income tax deduction for these taxpayers would remain contingent on DOR approval of the property tax exemption. Provide that these provisions would first apply to taxable years beginning on January 1 of the year the bill takes effect, except that if the bill takes effect after July 31, provide that the provisions would first apply to taxable years beginning on January 1 of the year following the effective date.

[Act 16 Sections: 2104 thru 2108, 2144, 2201, 2202 and 9344(6)]

3. PROPERTY TAX EXEMPTION FOR PROPERTY OF A YMCA AND A YWCA

Joint Finance/Legislature: Modify the property tax exemption for property owned by the Salvation Army, the Boy Scouts of America, the Boys' Clubs of America, the Girl Scouts or the Camp Fire Girls to include property owned by a Young Men's Christian Association and property owned by a Young Women's Christian Association. Limit the exemption for each to no more than 40 acres for property located in towns and to no more than ten acres for property located in cities or villages. Repeal the current property tax exemption for YMCA and YWCA summer training camps. Specify that these provisions would be effective with property assessed as of January 1, 2002.

Currently, YMCA and YWCA facilities are exempt under s. 70.11 (4) of the statutes as property owned and used exclusively by a benevolent organization. Therefore, this provision would have no fiscal effect on property owned and used by a YMCA or a YWCA. However, the proposed exemption would not retain the current requirement under s. 70.11(4) of the statutes that the property be used exclusively by a YMCA or a YWCA. As a result, this provision also would exempt all property that a YMCA or YWCA may acquire in the future that would not be used exclusively by the organization.

[Act 16 Sections: 2103g, 2103k and 9344(28w)]

4. PROPERTY TAX EXEMPTION FOR THE UNIVERSITY OF WISCONSIN MEDICAL FOUNDATION

Joint Finance: Modify the current property tax exemption for the University of Wisconsin Hospitals and Clinics Authority to extend to all property owned by and leased to the University of Wisconsin Medical Foundation. Provide that the use of the property must be primarily related to the purposes of the foundation. Specify that the exemption would first apply to property assessed as of January 1, 2002.

Senate/Legislature: Delete provision.

5. PROPERTY TAX EXEMPTION FOR AUTOMATIC TELLER MACHINES

Senate/Legislature: Modify the property tax exemption for computers to exclude automatic teller machines, effective with property assessed as of January 1, 2002. Decrease funding of state aid for exempt computers by $1,117,500 in 2002-03. Under this provision, the tax status of an estimated $45.5 million in value would be changed from exempt to taxable. Because the state pays aid to local governments to hold them harmless from the effects of the exemption, changing the property's tax status would reduce the amount of state aid paid to local governments. The fiscal effect for this item is shown under Item #14, Shared Revenue and Tax Relief -- Direct Aid Payments.

Veto by Governor [F-20]: Delete the provision, thereby retaining tax-exempt status for automatic teller machines. The Governor's veto message indicates that the sum sufficient appropriation to reimburse local governments for tax base lost due to the computer exemption will increase by an estimated $1,117,500 in 2002-03, compared to the enrolled bill, as a result of this veto. The fiscal effect for this item is shown under Item #14, Shared Revenue and Tax Relief -- Direct Aid Payments.

[Act 16 Vetoed Sections: 2108q and 9344(23k)]

6. PROPERTY TAX EXEMPTION FOR RESTAURANT KITCHEN EQUIPMENT

Assembly: Provide a property tax exemption for machinery and equipment used primarily in the operation of a restaurant's kitchen to prepare or serve food or beverages, regardless of whether the machinery or equipment is attached to real property. Define machinery as a structure or assemblage of parts that transmits forces, motion or energy from one part to another in a predetermined way by electrical, mechanical or chemical means. Specify that machinery does not include a building. Specify that the exemption first applies to property assessed as of January 1, 2002. The value of affected restaurant machinery and equipment is estimated at $220 million, and the taxes on that property are estimated at $4.7 million. Those taxes would be shifted from the affected property to property that remains taxable. State forestry tax collections would be reduced by an estimated $44,000 in 2002-03.

Conference Committee/Legislature: Delete provision.

7. PROPERTY TAX EXEMPTION FOR DIGITAL EQUIPMENT OF CABLE TELEVISION SYSTEMS

SEG-REV	- $700

Senate/Assembly/Legislature: Modify the property tax exemption for digital broadcasting equipment by removing the provision that excludes cable television systems from the current property tax exemption. Specify that the provision first applies to property assessed as of January 1, 2002. Reduce estimated state forestry tax collections by $700 in 2002-03. This provision would exempt an estimated $3.3 million in value from the property tax base on a statewide basis. Taxes on the affected property are estimated at $86,000, of which $700 are state forestry taxes. The remaining taxes would be shifted from the affected property to other property that remains taxable.

[Act 16 Sections: 2112m and 9344(10w)]

8. PROPERTY TAX EXEMPTION FOR PROPERTY HELD IN TRUST

Assembly: Modify the property tax exemption for property held in trust in public interest, which applies to property owned by, or held in trust for, a nonprofit organization, to extend to property that is used for community parks and is open to the public, at no charge to the public, effective with property assessed as of January 1, 2002.

Conference Committee/Legislature: Delete provision.

9. PROPERTY TAX EXEMPTION FOR REGIONAL PLANNING COMMISSIONS

Governor: Extend the current property tax exemption for property owned by local governments to property owned by regional planning commissions, effective with property assessed as of January 1, 2001. Authorize regional planning commissions to acquire and hold

real property for public use and to convey and dispose of such property. The current exemption applies to property of counties, municipalities, school districts, technical college districts, public inland lake protection and rehabilitation districts, metropolitan sewerage districts, municipal water districts, local joint water authorities, family care districts and town sanitary districts. Currently, there are nine regional planning commissions, eight serving multicounty areas and one serving Dane County. They are required to prepare comprehensive plans for the region, and they advise local governments on the planning and delivery of public services.

Joint Finance: Delete provision as non-fiscal policy.

Assembly: Restore provision.

Conference Committee/Legislature: Delete provision.

10. PROPERTY TAX EXEMPTION FOR JEWISH COMMUNITY CENTERS

Senate: Create a property tax exemption for property owned by a Jewish community center, if the property is used for moral, religious and educational purposes and is not used for pecuniary profit of any individual. Specify that the exemption would first apply to property assessed as of January 1, 2001.

Conference Committee/Legislature: Delete provision.

11. PROPERTY TAX EXEMPTION FOR FAX MACHINES AND CASH REGISTERS AND RELATED STATE AID

Conference Committee/Legislature: Create a property tax and state ad valorem tax exemption for fax machines, except those that are also copiers, and cash registers, effective with property assessed as of January 1, 2003. Extend the current reporting and state aid payment provisions for exempt computer property to these fax machines and cash registers. Under this provision, this property would become exempt for the 2003(04) property taxes. Local governments would receive increased state aid in 2003-04 to reimburse them for the loss of property tax base.

[Act 16 Sections: 931m, 1375d, 2108s, 2114p, 2114q, 2114s, 2130b, 2207m, 2231n, 2243, 2255m, 2291m, 2291n, 2291p, 2764L, 9344(17f) and 9444(3f)]

12. OBJECTIONS TO MANUFACTURING ASSESSMENTS

Governor/Legislature: Authorize manufacturers to appeal objections to their assessments filed by municipalities if the appeal is filed within 15 days from the day the municipality files the objection. Allow municipalities to appeal objections filed by manufacturers to assessments

for property in the municipality if the appeal is filed within 15 days from the day the manufacturer files the objection. These provisions would take effect upon enactment of the bill. Allow manufacturers to file supplemental information in support of their original objection if the information is filed within 60 days of their original objection. Require the state board of assessors to notify the municipality where the property is located of the supplemental information, if the municipality has filed an appeal to the objection. Specify that objections to manufacturing assessments must include the reasons for the objection, the objector's estimate of the correct assessment and the statutory basis for the objector's estimate of the correct assessment. Specify that these provisions first apply to objections filed with the state board of assessors on the first day of the third month beginning after the bill's effective date. Under current law, both manufacturers and municipalities may file objections to manufacturing assessments with DOR's board of assessors, but all objections must be filed within 60 days of when DOR notifies them of assessments. Objections may pertain to the property's value or taxability. Decisions of the board of assessors may be appealed to the tax appeals commission and then to circuit court.

Require assessors to distinguish in the tax roll between manufacturing property that is omitted property and manufacturing property that has been undertaxed as the result of an assessment appeal. Replace the current interest charge on tax underpayments of 0.0267% per day with a daily charge calculated between the date when the tax was due and the date when the tax is paid and based on an interest rate equal to the average, annual discount interest rate determined by the last auction before the objection of six-month U.S. treasury bills. These provisions would take effect upon passage of the bill. Provide that any additional taxes and interest paid by manufacturers on underpayments be shared with other taxing jurisdictions through the property tax settlement process. Provide that this provision first applies to taxes based on property assessments as of January 1, 2001. Under current law, taxes from prior years may be imposed because property was omitted from the tax roll or because property was underassessed. Underassessments may be discovered through municipal appeals of manufacturing assessments. Interest on both types of payments accrues at 0.0267% per day. The municipality containing the property imposes the tax and retains all taxes and interest. Under the bill, this treatment would continue for non-manufacturing property and for manufacturing property subject to omitted taxes. Under the bill, payments from manufacturers due to prior year underpayments would be subject to interest charges based on the yield of U.S. treasury bills. In addition, the resulting tax and interest payments would be shared with other taxing jurisdictions, in the same manner that these jurisdictions share in the cost of paying tax refunds to manufacturing property owners when property is found to be overtaxed.

[Act 16 Sections: 2122 thru 2128, 2209, 2213, 2218 and 9344(3)&(4)]

13. CLASSIFICATION OF MANUFACTURING PROPERTY

Governor/Legislature: Establish March 1 as the date by which DOR would have to annually determine what property is classified as manufacturing property and will be assessed by the Department. Authorize DOR to designate additional property as manufacturing

property at a later date if the property's owner has requested in writing on, or before, March 1 that DOR classify the property as manufacturing. Specify that a change in ownership, location or name of a manufacturing establishment would not necessitate a new request by the owner. Modify the current law provision that requires DOR to notify each municipality by February 15 of the property classified as manufacturing property in the municipality, to clarify that the notice applies to determinations made by DOR as of that date (February 15).

[Act 16 Sections: 2120 and 2121]

14. MANUFACTURING REPORT FORMS

Governor/Legislature: Change the date from "before March 1" to "on or before March 1" by which manufacturers may request an extension from DOR for filing the report forms that describe their property. Replace the current penalties on manufacturers that fail to file reports describing their properties with penalties equal to $25 if the form is filed one to ten days late, the greater of $50 or 0.05% of the previous year's assessment, but not more than $250, if the form is filed 11 to 30 days late, and the greater of $100 or 0.1% of the previous year's assessment, but not more than $750, if the form is filed more than 30 days late. Under current law, manufacturers are required to file report forms describing their properties with DOR, which uses that information in assessing manufacturing property. The forms must be filed each year by March 1, although manufacturers may apply in writing for an extension until April 1. Failure to file the reports results in penalties equal to the greater of $10 or 0.05% of the previous year's assessment, but not more than $1,000. If forms are filed after 30 days of the filing date or the extension, a second penalty is imposed equal to the greater of $10 or 0.05% of the previous year's assessment, but not more than $1,000.

[Act 16 Sections: 2129 and 2130]

15. MANUFACTURING PROPERTY INDUSTRIAL CLASSIFICATION REFERENCE

Joint Finance: Replace statutory references relating to the Standard Industrial Classifications (SIC) manual with references to the North American Industry Classification System (NAICS) for purposes of manufacturing property assessment. Specify that the references to the NAICS manual would first be effective on January 1, 2002.

Replace the current 23 SIC codes for manufacturing property with the following 23 NAICS codes:

NAICS Code	NAICS Title
21	Mining.
311	Food manufacturing.
312	Beverage and tobacco product manufacturing.
313	Textile mills.
314	Textile product mills.
315	Apparel manufacturing.
316	Leather and allied product manufacturing.
321	Wood product manufacturing.
322	Paper manufacturing.
323	Printing and related support activities, including the printing of material by an establishment and the publishing of such material by the same establishment.
324	Petroleum and coal products manufacturing.
325	Chemical manufacturing.
326	Plastics and rubber products manufacturing.
327	Nonmetallic mineral product manufacturing.
331	Primary metal manufacturing.
322	Fabricated metal product manufacturing.
333	Machinery manufacturing.
334	Computer and electronic product manufacturing.
335	Electrical equipment, appliance and component manufacturing.
336	Transportation equipment manufacturing.
337	Furniture and related product manufacturing.
339	Miscellaneous manufacturing.
81292	Photofinishing.

Senate/Legislature: Delete provision.

16. PAYMENT OF REFUNDS ON MANUFACTURING PROPERTY

Governor: Require DOA to reimburse municipalities for interest payments that municipalities paid in the previous biennium on refunds of property taxes on manufacturing property. Specify that the state would be obligated for interest that accrues up to the date that the tax appeals commission determines that a refund is due. Create a sum sufficient, GPR appropriation from which interest payments would be made.

Authorize municipalities to pay refunds of taxes on manufacturing property in five annual installments if the following three conditions are met: (a) the municipality's general operations tax levy for the year for which the taxes to be refunded are due is less than $100 million; (b) the refund is at least 0.0025% of the municipality's general operations tax levy for the year for which the taxes to be refunded are due; and (c) the refund is more than $10,000. Specify that each annual payment, except the last, would have to equal at least 20% of the sum of the refund and the interest on the refund, as calculated on the date of the claim. Exclude refunds on manufacturing property from the current provision that specifies a 0.8% per month interest rate on tax refunds, and instead, establish the interest rate for refunds on manufacturing property as the lesser of 10% per year or the average, annual discount interest rate determined

by the last auction of six-month U.S. treasury bills prior to the date of filing the appeal or objection.

Specify that these provisions would first apply to refunds of taxes that were based on assessments as of January 1, 2001. As a result, the state would not incur any interest cost on manufacturing refunds during the 2001-03 biennium. Under current law, municipalities are required to pay refunds no later than January 31 of the year after the claim, if the taxpayer files the claim on or before November 1 following the date on which the appeal is decided. If the claim is filed after November 1, the claim must be paid by the second January 31 after the claim is filed.

Joint Finance: Delete provision as non-fiscal policy.

Assembly: Restore provision, but specify that the interest rate is based on the lesser of 10% or the yield on treasury bills if the refund is a recovery of unlawful taxes (s. 74.35) or a claim on an excessive assessment (s. 74.37).

Conference Committee/Legislature: Delete provision.

17. CORRECTING ASSESSMENT ROLL ERRORS

Governor/Legislature: Require municipal clerks and treasurers to correct the assessment roll for "palpable errors" discovered after adjournment of the board of review and to notify DOR of such corrections. Require DOR to consider corrections made under this provision when it determines adjustments to be made to equalized values. Provide that these provisions would first apply to property assessed as of January 1, 2001. Current law defines "palpable errors" as: (a) clerical errors in the property's description or in the computation of the tax; (b) including the value of real property improvements when the improvements did not exist on the January 1 assessment date; (c) valuing property that is exempt from taxation; (d) the property is not located in the municipality preparing the tax roll; (e) the property has been double-assessed; and (f) an arithmetic, transpositional or similar error. If such an error is discovered after the adjournment of the board of review, current law requires taxes on the erroneous assessment to be calculated and billed. Then, the owner may file a claim for an unlawful tax with the municipality, and the municipality's governing body may refund or rescind the tax. When a municipality makes such adjustments, DOR is directed to consider those adjustments and determine if the Department overstated or understated the municipality's equalized value. If so, DOR makes an offsetting adjustment to the municipality's equalized value for the following year.

[Act 16 Sections: 2119, 2226 and 9344(14)]

18. DEFINITION OF AGRICULTURAL LAND

Senate: Modify the definition of agricultural land to include all land, exclusive of buildings and improvements and the land necessary for their location and convenience, that is devoted primarily to an agricultural use, as defined by rule, and is located on a farm where the owner or lessee has filed a form, as required below. Define a farm as any business engaged in crop production or animal production, as set forth in the North American Industry Classification System, 1997 edition, if the business generated $6,000 or more in gross receipts from this activity in the year preceding the date the form is filed or is likely to generate this amount in the year following that filing. Specify that a farm may include leased land, if that land is devoted primarily to an agricultural use.

Provide that the form, specified above, include a description of all land owned or leased that is part of the farm and a statement whereby the owner or lessee certifies that $6,000 or more of agricultural products were sold during the preceding year or are likely to be sold in the current year. Specify that the amount of agricultural products sold is to be measured on a per farm basis, regardless of the number of municipalities where the land is located. Require the form to be filed by the property owner or lessee with the assessor where the property is located, on or before March 1, beginning in 2002. Specify that owners or lessees are not required to file forms in subsequent years unless additional agricultural land is acquired or leased.

Require owners or lessees of property classified as agricultural land to notify the clerk of the municipality where the property is located, on a form prescribed by DOR, if the use of the property no longer meets the definition of agricultural land. Provide that if owners or lessees of agricultural land fail to notify the clerk of property that no longer meets the definition of agricultural land, the difference between that property's value as agricultural land and its value in another class shall be treated as omitted property and the penalty for converting agricultural land shall be imposed from the date that the property no longer met the definition of agricultural land. Exempt property that is reclassified for the 2002 assessment year as a result of the change in the definition of agricultural land from the penalty for converting agricultural land to another use.

Provide that "other" property be defined as agricultural buildings and improvements and the land necessary for their location and convenience. Authorize the Department of Revenue to promulgate rules regarding these provisions and require the Department to prescribe the form on which owners and operators report the land included on their farm and the amount of agricultural products sold.

Specify that these provisions first apply to property assessed as of January 1, 2002.

Assembly: Modify the current law provision that defines agricultural land as land, exclusive of buildings and improvements, that is devoted primarily to agricultural use, as defined by rule, to also include land, exclusive of buildings and improvements, that is classified under the swamp and waste category or under the productive forest land category if that land

is contiguous to agricultural land, as currently defined, owned by the same person. Extend the definition to land that is separated from land devoted to an agricultural use only by a road. Limit the additional land to be classified as agricultural land to nine-tenths of an acre for each acre of land that meets the current definition of agricultural land. Direct assessors to value the swamp and waste land and productive forest land that is classified as agricultural land as pasture land. Specify that these provisions would first apply to property assessed as of January 1, 2002. This provision would result in up to 3.2 million acres of property classified as swamp and waste land or as forest land to be reclassified as agricultural property and valued as pasture land. A statewide tax base reduction of $765 million is estimated. The taxes on that value are estimated at $13.5 million, and those taxes would be shifted from the owners of the affected property to owners of other property. The taxes on a median-valued home taxed at the statewide average tax rate would increase by about $6. State forestry taxes would decrease by an estimated $153,000 in 2002-03.

Conference Committee/Legislature: Delete both Senate and Assembly provisions.

19. PENALTY FOR AGRICULTURAL LAND CONVERTED TO OTHER USES

Senate: Modify the current law provisions relating to the penalty on agricultural land that is converted to other uses as follows: (a) delete the requirement that municipalities administer the penalty and, instead, require the county where the land is located to administer the penalty; (b) require DOR to annually determine within each county the Department's estimate of the average, per acre fair market value of agricultural land sold in the county in the previous year and the average, per acre equalized value of agricultural land in the county in the previous year; (c) provide that a uniform penalty be extended within each county on a per acre basis equal to the difference between the average, per acre fair market value of agricultural land and the average, per acre equalized value of agricultural land in the county, both as determined by DOR, multiplied by 5% if the conversion is of more than 30 acres, 7.5% if the conversion is of 10 to 30 acres or 10% if the conversion is of less than 10 acres; (d) specify that the penalty be waived if the amount calculated under (c) is less than $25 per acre; and (e) replace the provision that requires the penalty to be shared with overlying taxing jurisdictions and, instead, specify that the county retain 50% of the penalty and disburse the remainder of the penalty to the municipality where the property is located. Require the county to apportion the municipal share of the penalty in proportion to the land's equalized value if the land is located in more than one municipality. Require the municipality to share 50% of its proceeds from the penalty with an adjoining municipality, if the municipality where the property is located has annexed the property subject to the penalty from the adjoining municipality in either of the two preceding years. Require DOR to calculate the fair market value of agricultural land from sales of agricultural property of 38 acres or more where the buyer intends to continue the property's agricultural use.

Require the county treasurer to impose the penalty if the treasurer of the county where the property is located determines that the property has been converted to another use. Provide that agricultural land has been converted to another use if the property is used in a way where

it would not be classified as agricultural land for property tax purposes. Permit the county treasurer to defer the penalty if the owner of the property can demonstrate that the property will be employed in agricultural use for purposes of property taxation in the succeeding year. Require the treasurer to waive the penalty if the property is classified as agricultural property in the succeeding year. Provide that if the county treasurer has granted a deferral and the property is not used as agricultural property in the succeeding year, interest on the penalty shall be imposed at a rate of 1% per month, or a fraction of a month, from the date that the deferral was granted until the penalty is paid. Provide that penalties are payable within 30 days of when they are imposed and that amounts not paid shall be considered delinquent, shall bear interest at the rate of 1% per month, or fraction of a month, and shall be collected as a special charge under current law provisions. Modify the current law provision requiring sellers to notify buyers when land has been assessed as agricultural land to also require sellers to provide notice if the land is subject to a penalty or if a penalty has been deferred. Require the register of deeds to inform the county treasurer of all sales of agricultural property. Specify that these provisions first apply to penalties imposed beginning on January 1, 2002.

Conference Committee/Legislature: Delete provision.

20. CLASSIFICATION OF CERTAIN PROPERTY AS SWAMP AND WASTE

Joint Finance: Require property to be classified as "swamp and waste" for purposes of the property tax if the property is undeveloped, if the property is nonproductive forest land and if the property is part of a parcel, where the other part of the parcel is enrolled in the managed forest land program. Exclude property that is classified as agricultural property from this provision. Provide that this provision applies to property assessed as of January 1, 2002.

Assembly: Delete provision.

Conference Committee/Legislature: Include Joint Finance provision.

Veto by Governor [F-23]: Delete provision.

[Act 16 Vetoed Sections: 2114m and 9344(28v)]

21. TAX INCREMENTAL FINANCING MODIFICATIONS

Senate: Make the following modifications to tax incremental financing law. Unless otherwise specified, the modifications would first apply to any TIF district created, or whose project plan is amended, on the effective date of the bill.

Eligible Project Costs. Specify that project costs may not include any expenditures made or estimated to be made by the city or village for a newly-platted residential development for any TIF district for which an amendment to a project plan is approved after the effective date of the bill (current law excludes such costs for new TIF districts).

Allowable Types of TIF Districts. Specify that the resolution creating a TIF district that is adopted by the local legislative body must declare that the district being created is either a blighted area district, a rehabilitation or conservation district or an industrial district, based on the identification and classification of the property included within the district. Specify that if the district is not exclusively blighted, rehabilitation or conservation, or industrial, the declaration would have to be based on which classification is predominant with regard to the area included within the boundaries of the district.

With regard to a tax incremental district that is declared an industrial district, specify the following:

a. The calculation of the tax increment and tax incremental base could not include the value of any residential property or the value of any improved property on which more than 35% of the improved square footage is devoted to retail operations, including any storage areas or warehouses that contain merchandise that could be sold on-site at retail as part of an on-site, retail operation;

b. Allow that during the 15th year of a TIF district's existence, the joint review board may recommend to DOR that a TIF district that is suitable for industrial sites be allowed to remain in existence for up to five years after the date on which it would otherwise be required to terminate, for a total of up to 10 years after the last expenditure in the district's project plan is made. Specify that the board would be allowed to make such a recommendation only after it reviews and reapproves the findings that the municipality is within the limitations on the amount of taxable value the municipality may have within TIF districts and after the board decides to reapprove the board's earlier decisions related to the need for the TIF district and the relative benefits and costs of the district.

c. If a TIF district is created on or after the effective date of the bill and if the district is suitable for an industrial site, the district would have to be terminated within five years after the last expenditure identified in the project plan is made. However, if the joint review board recommends to DOR, and DOR agrees, that the district be allowed to continue for up to an additional five years after the date on which the district would otherwise terminate, the district would have to be terminated up to 10 years after the last expenditure identified in the project plan is made.

Amended TIF District Project Plans. Require the clerk of the city or village creating a TIF district to submit an application form, requesting that DOR redetermine the district's tax incremental base, for an amended project plan to DOR on or before December 31 of the year in which the changes in the project plan take effect (similar requirements apply under current law to new TIF districts). Require that DOR, in recalculating the tax incremental base value, include the value of real property owned by the city or village, that is not used for police and fire buildings, administrative buildings, libraries, community and recreational buildings, parks, streets and improvements within any street right-of-way, parking facilities or utilities.

Specify that for TIF districts created before October 1, 1995, the planning commission would not be allowed to adopt an amendment to the district project plan that modifies the boundaries of the district more than once during the 10 years after the creation of the TIF district (current law allows this only once in the seven years after creation). Further, specify that amendments to a project plan could modify the district boundaries by subtracting territory from a district (current law only allows additions).

For a TIF district with an amended project plan that allocates positive tax increments generated by that district to another TIF district created by that planning commission, require that the donor TIF district have sufficient revenues in the district's special fund to pay all the project costs that have been incurred, or are expected to be incurred, under the project plan for that district.

Town TIF Districts. Specify that if a town is located in a county that does not have any cities or villages, the town may exercise all the powers of a city or village under tax incremental financing law. Specify that if a town exercises these powers, it would be subject to the same required duties under TIF law as a common council and the same duties and liabilities as a city or village. Modify Chapter 105, Laws of 1975, relating to the legislative findings associated with the TIF program to include a town located in a county that does not contain any cities or villages in those findings.

Annexed Property Within TIF Districts. Specify that the boundaries of a tax incremental district could not include any territory that was not within the boundaries of the city or village on January 1, 2000, unless three years have elapsed since the territory was annexed by the city or village or unless the city or village enters into a cooperative plan boundary agreement with the town from which the territory was annexed. Specify that if the city or village enters into a cooperative plan boundary agreement with the town, the city or village may compensate the town for the tax revenues lost by the town as a result of the annexation.

Limitations on Taxable Value Within TIF Districts. Specify that in calculating the current law limitations on the amount of taxable value a city or village may have in one or more TIF districts, the calculation would be based on the most recent values of taxable property of the proposed district, as certified by DOR as of the year in which a resolution is adopted creating the proposed district. Specify that DOR could not certify the tax incremental base of a TIF district before the Department reviews and approves the findings that the city or village creating the district is within these statutory limitations. Under current law, no new TID may be created once a municipality exceeds both of the following thresholds: (a) the equalized value of the proposed TID plus the equalized value of all existing TIDs within the municipality exceeds 7% of the municipality's total equalized value; and (b) the equalized value of the proposed TID plus the value increment of all existing TIDs (this excludes the base value) within the municipality exceeds 5% of the municipality's total equalized value

Allowable Periods for Allocation of Tax Increments. Amend the allowable period for which DOR could annually authorize the allocation of tax increments as follows: (a) specify that for TIF districts created after September 30, 1995, and before the effective of the bill, tax increments

could be allocated to the city or village that created the TIF district for 23 years after the district is created (this establishes an end point for current law treatment of new TIF districts); (b) specify that for a TIF district created on or after the effective date of the bill that is declared a blighted area district or a rehabilitation or conservation district, tax increments could be allocated to a city or village for 26 years after the district is created; and (c) specify that for a TIF district created on or after the effective date of the bill that is declared suitable for industrial sites, tax increments could be allocated to the city or village creating the TIF district for either 15 years or 20 years after the industrial TIF district is created, depending on whether the joint review board exercises the five-year extension option for such districts.

Allowable Expenditure Periods for TIF Districts. Make the following changes to the allowable expenditure periods for TIF districts: (a) specify that no expenditure may be made for a TIF district created after September 30, 1995, and before the effective of the bill, later than seven years after the district is created (this establishes an end point for current law treatment of new TIF districts); (b) specify that for a new TIF district that is declared an industrial TIF district, no expenditures may be made later than 10 years after the industrial TIF district is created; and (c) specify that for other TIF districts created on or after the effective date of the bill, all expenditures would have to be substantially completed no later than 10 years after the TIF district is created.

Joint Review Boards. Modify the current law provisions relating to the creation of TIF joint review boards as follows:

a. Provide cities and villages the power to create a standing joint review board that may remain in existence for the entire time that any tax incremental district exists in the city or village and specify that all the provisions that apply to the joint review board of a tax incremental district, which is made up of representatives from all the overlying taxing jurisdictions, would apply to the standing joint review board.

b. Allow a city or village to disband this standing joint review board at any time (temporary boards can be disbanded by majority vote).

c. Modify the current law references to a joint review board to refer, instead, to a temporary joint review board and specify that any city or village that seeks to create a TIF district would have to convene either a temporary joint review board or a standing joint review board.

d. Specify that if the proposed TIF district is made up of more than one union high school district or more than one elementary school district, the union high school district or elementary school district with the greatest value within the proposed TIF district would choose the representative to the temporary or standing joint review board.

e. Specify that if a proposed TIF district would be located in a union high school district, the school board representative seat on the board would be held by two representatives, each of whom would have one-half of a vote. Specify that one of the representatives would be

chosen by the union high school district and one by the elementary school district, both of which have the power to levy taxes on the property within the proposed TIF district.

f. Specify that the board would have to adopt a resolution to create a TIF district or amend a TIF district project plan within 14 days of receiving the corresponding resolution, rather than the ten to 30 days allowed under current law.

g. Specify that the board could not approve a resolution creating a TIF district or amending the project plan of an existing TIF district unless the board's approval contains a positive assertion that, in the board's judgment, the development described in the documents the board has reviewed would not occur without the creation of the TIF district.

h. Provide that, not later than five working days after submitting its decision on the creation of a TIF district or the amendment of an existing TIF district project plan, any member of the board may request that DOR review any documents relating to the district to determine whether the information submitted to the board complies with the statutory requirements or whether any of the information contains a factual inaccuracy. Specify that the request must be in writing and that it must specify which particular fact or item the member believes is incomplete or inaccurate. Require DOR, not later than five working days after receiving a request that meets these requirements, to investigate the issues identified in the request and send a written response to the board. Specify that if DOR determines that the information in the proposal adopted by the joint review board is not in compliance or contains a factual inaccuracy, the Department would have to return the proposal to the board. Require the board to request that the city or village resolve the problems in its proposal and resubmit the proposal to the board for review and approval.

i. Require the board to notify the governing body of every local governmental unit that is not represented on the board, and that has the power to levy taxes on the property within the proposed TIF district, prospectively of meetings of the board and of the agendas of each meeting for which notification is given.

TIF District Reporting Requirements. Specify that not later than 60 days after a city or village transmits the notice of termination of a TIF district to DOR, a city or village would have to send to DOR, on a form prepared by the Department, all of the following information related to the terminated TIF district: (a) a final accounting of all expenditures made by the city or village; (b) the total amount of project costs incurred by the city or village; and (c) the total amount of positive tax increments received by the city or village. Specify that if a city or village does not send the information to DOR within the specified time limit, DOR would not be allowed to certify the tax incremental base of any new or modified TIF district in the city or village until the form is sent. Under this circumstance, DOR would be exempted from the current law requirement that it certify the tax increment base as soon as reasonably possible after a TIF district is created or amended.

Local Compliance With TIF Law. Specify that substantial compliance by a city or a village with the statutory requirements relating to the creation of TIF districts and the powers of cities

or villages in creating TIF districts would be sufficient to give effect to any proceedings conducted by the city or village if, in DOR's opinion, any error, irregularity, or informality that exists in the city's or village's attempt to be in compliance does not affect substantial justice. Further, specify that if DOR determines that a city or village is in substantial compliance, DOR would have to determine the tax incremental base, allocate tax increments and treat the district in all other respects as if these statutory requirements have been complied with, based on the date that the resolution creating the TIF district is adopted.

DOR TIF Program Manual. Require DOR to create and update a manual on the TIF program. Specify that the manual would have to contain the rules relating to the program, common problems faced by cities and villages under the program, possible side effects associated with the use of tax incremental financing and any other information the Department determines to be appropriate. Specify that DOR may consult with, and solicit the views of, any interested person while preparing or updating the manual.

Conference Committee/Legislature: Delete provision.

22. TAX INCREMENTAL FINANCING -- VILLAGE OF FALL CREEK

Senate/Legislature: Specify that if a village clerk files the required forms and applications to DOR, not later than November, 2000, for a TIF district that was created, or whose creation was attempted by the village board before June, 2000, and whose boundaries were attempted to be amended in September, 2000, the TIF district would be exempt from the public hearing and joint review board action timeline requirements specified under current law. Require DOR to proceed with the creation of the TIF district as if the timelines for public hearings and joint review board action were complied with and as if the TIF district were created on January 1, 2001, except that DOR would not be allowed to certify a value increment for the district prior to 2002. This provision is intended to apply to the Village of Fall Creek in Eau Claire County.

[Act 16 Section: 2029ss]

23. TAX STABILIZATION FUND FOR MILWAUKEE COUNTY

Joint Finance/Legislature: Authorize county boards in counties with a population over 500,000 to create a tax stabilization fund. Require amounts from the following funding sources to be deposited into the fund: (a) the amount determined by subtracting the estimated nonproperty tax revenues from the corresponding actual receipts for the prior year, to be determined by the comptroller by April 15 of each year; (b) the amount determined by subtracting total adjusted operating budget appropriations from total expenditures, commitments and reserves for the prior year, to be determined by the comptroller by April 15 of each year; (c) any general surplus balance as of December 31 of the prior year, to be determined by the comptroller by April 15 of each year; and (d) any amounts included in the county's property tax levy that are designated for deposit in the fund. Authorize the county board to

withdraw amounts from the tax stabilization fund by three-quarters vote of the entire membership of the county board or by a majority vote of the county board if the county's total levy rate, as defined under current law, is projected to increase by more than 3% and the withdrawn funds would prevent an increase of more than 3%. Prohibit the tax stabilization fund from being used to offset any deficit that may occur between total estimated and total actual non-property tax revenue or between total appropriations and total expenditures. Require any uncommitted balance in the fund that is in excess of 5% of the current year's budget under the control of the county board, as of June 1 of the current year, to be applied to reduce the county's next property tax levy. This provision would authorize the county board for Milwaukee County to create a tax stabilization fund. State law authorizes the City of Milwaukee to create a tax stabilization fund. Provisions related to the operation of the City's fund would be extended to the County's fund.

[Act 16 Sections: 2002r, 2002s and 2002t]

Local Revenue Options

1. LOCAL EXPOSITION DISTRICT TAX ADMINISTRATION [LFB Paper 800]

Governor: Provide that the amount of local exposition district taxes that DOR retains for administrative purposes that is unencumbered at the end of the fiscal year and that exceeds 10% of the amount expended during the fiscal year be distributed to the local exposition district.

The City of Milwaukee has created a local exposition district called the Wisconsin Center Tax District for the purpose of acquiring and managing its exposition center facilities. The District is comprised of cities and villages wholly or partially in Milwaukee County. Under current law, DOR administers and collects the local exposition district taxes. The taxes are imposed at rates of 0.25% of the gross receipts from the sale of food and beverages and 3% of the gross receipts from car rentals within the District. The Department also administers the room tax collections of the District. DOR retains 2.55% of total collections to cover the costs of administering the taxes. Under the recommended provision, at the end of each fiscal year, the unencumbered balance in the administrative appropriation in excess of 10% of fiscal year expenditures would be distributed back to the District. It is estimated that the additional amounts distributed back to the District would be $367,100 in 2001-02 and $62,000 in 2002-03.

Joint Finance/Legislature: Reestimate the amount to be distributed back to the District at $348,100 in 2001-02 and $49,700 in 2002-03.

[Act 16 Sections: 917 and 934]

2. MERGE BRADLEY CENTER AND MIDWEST EXPRESS CENTER

Senate: Merge the existing, nine-member Bradley Center Sports and Entertainment Corporation Board and the 15-member Midwest Express Center Board into one, nine-member local exposition center district board. Specify that the Midwest Express Center Board and the Bradley Center Corporation would be dissolved on the first day of the second month beginning after the effective date of the bill, or the date on which the members of the newly-created exposition center district board are appointed and qualified, whichever is later. Specify that an exposition center that is governed by the newly-created local exposition center district board could include fixtures and equipment that are owned, operated or leased by a district and used for recreational and sporting activities. The authorities, powers and duties of a local exposition center under current law, including the authority to enact certain taxes and issue bonds for board facilities, would apply to the newly-created exposition center district board and its facilities. Specify that the newly-created exposition center district would not be allowed to change the name of the Bradley Center.

Specify that the newly-created local exposition center district board would be comprised of the following; (a) two members chosen by the Governor from among the current members of the existing Bradley Center Sports and Entertainment Corporation Board; (b) three members to be chosen by the Governor from among the current members of the existing Midwest Express Center Board; (c) one member to be chosen by the President of the Senate; (d) one member to be chosen by the Speaker of the Assembly; (e) one member, who must be a resident of the City of Milwaukee, to be chosen by the President of the Milwaukee Common Council; and (f) one member, who must be a resident of the City of Milwaukee, to be chosen by the Mayor of Milwaukee. Specify that the terms of the members of the newly-created board would be three years, and would be subject to the current law requirements for expiration, except as follows: (a) the terms of the members who were members of the Bradley Center Sports and Entertainment Corporation Board would be the same as the terms to which they were appointed to as members of that Board; (b) the terms of the members who were members of the Midwest Express Center Board would be the same as the terms to which they were appointed to as members of that Board; (c) the initial term of the members appointed by the President of the Senate and the Speaker of the Assembly would be two years; and (d) the initial term of the members appointed by the Mayor of Milwaukee and the Milwaukee Common Council would be three years. Specify that upon the expiration of the terms of the initial members appointed by the Governor, the Governor would not be required to appoint members that have any connection with the Bradley Center or the Midwest Express Center.

Specify that the two initial members appointed to the board who were members of the Bradley Center Sports and Entertainment Corporation would make up a subcommittee of the newly-created board and would be the only members of that board who could negotiate the terms and conditions of the next lease or the next extension of a lease relating to the continued tenancy of a professional basketball team that uses the Bradley Center as its home stadium on the effective date of the bill. Specify that any lease or extension of a lease that is negotiated by the subcommittee may not take effect until it is approved by a majority of the entire board. Specify that these provisions relating to the leasing of the Bradley Center facilities would not

apply after the sooner of the following: (a) a lease or extension of a lease between the new district board and the professional basketball team is entered into; or (b) the term of at least one of the initial board members who is a current member of the Bradley Center Sports and Entertainment Corporation expires.

Specify that upon its dissolution, all the assets, debts, liabilities, tangible personal property (including records), pending matters and obligations of the Bradley Center Sports and Entertainment Corporation, including any judgment, order or decree which may be entered against the corporation in any pending legal action, would be transferred to the newly-created local exposition district. Specify that the board of directors of the newly-created board would have to accept all the assets, debts, liabilities, tangible personal property, pending matters and obligations of the Bradley Center Sports and Entertainment Corporation and would have to accept the assignment of all contracts with other persons, with respect to the Bradley Center, that are in force at the time the corporation is dissolved.

Conference Committee/Legislature: Delete provision.

3. PREMIER RESORT AREA INDUSTRIAL CLASSIFICATION REFERENCES

Joint Finance: Replace statutory references relating to the Standard Industrial Classifications (SIC) manual with references to the North American Industry Classification System (NAICS) for purposes of identifying tourism-related businesses relating to the creation of a premier resort area and identifying those businesses subject to the premier resort area tax. Specify that the references to the NAICS manual would first be effective on January 1, 2002, and that any tax imposed by a premier resort area using the references under the SIC manual would apply to those businesses subject to the tax using the references under the NAICS manual.

Replace the current 21 SIC codes under the premier resort area statutes with the following 26 NAICS codes:

NAICS Code	NAICS Title
452990	All other merchandise stores.
445292	Confectionery and nut stores.
445299	All other specialty food stores.
311811	Retail bakeries.
447100	Gasoline stations (including convenience stores with gas).
722110	Full-service restaurants.
722210	Limited-service eating places.
722300	Special food services.
722410	Drinking places.
446110	Pharmacies and drug stores.
445310	Beer, wine, and liquor stores.
451110	Sporting goods stores.
443130	Camera and photographic supply stores.
453220	Gift, novelty, and souvenir stores.
721110	Hotels (except casino hotels) and motels.

NAICS Code	NAICS Title
721120	Casino hotels.
721191	Bed-and-breakfast inns.
721199	All other traveler accommodations.
721214	Recreational and vacation camps (except campgrounds).
721211	RV (recreational vehicle) parks and campgrounds.
711212	Racetracks.
713910	Golf courses and country clubs.
713100	Amusement parks and arcades.
713200	Gambling industries.
713920	Skiing facilities.
713990	All other amusement and recreation industries.

Senate/Legislature: Delete provision.

4. PREMIER RESORT AREA -- CITY OF EAGLE RIVER

Senate/Legislature: Exempt the City of Eagle River from the current law requirement that at least 40% of the equalized assessed value of taxable property within the political subdivision must be used by specified tourism-related retailers in order for the political subdivision to declare itself a premier resort area.

Further, specify that the Legislature finds the following with respect to the City of Eagle River: (a) the city has an atypical percentage of tax exempt land within its boundaries that is used for tourism-related purposes; and (b) the city is the site of national recreational competitions that draw tourism businesses to the entire northern region of the state.

[Act 16 Sections: 2049h and 2049i]

5. SPECIAL CHARGES FOR MUNICIPAL SERVICES

Governor: Modify current law provisions regarding special charges by deleting provisions that limit charges to "current" services and by permitting municipalities to impose charges for services that are available, regardless of whether the services are actually rendered, effective with charges imposed on the effective date of the bill. Specify that special charges may be imposed against any real property that is eligible to be served. Municipalities may impose special charges to recover all or part of the cost of providing the following services: snow and ice removal; weed elimination; street sprinkling, oiling and tarring; repair of sidewalks, curbs and gutters; garbage and refuse disposal; recycling; stormwater management; tree care; removal and disposition of dead animals; and soil conservation work. In return for services, municipalities may impose special charges against real property located in the municipality and against real property located in adjacent municipalities, if approved through resolution by the governing body of the adjacent municipality. If special charges are not paid, they become delinquent and are a lien against the property on which they were imposed.

Joint Finance: Delete provision as non-fiscal policy.

Senate: Restore provision.

Assembly: Replace the provision that allows municipalities to determine the manner of providing notice of a special charge and, instead, require municipalities to hold a public hearing on the proposed ordinance or amendment that would impose the charge. Require the publication, prior to the hearing, of a class 1 notice that specifies where a copy of the proposed ordinance or amendment may be obtained. Retain the current exception to the notice provision that requires the publication of a class 1 notice and the mailing of the notice to interested persons when the special charge involves street tarring or the repair of sidewalks, curbs or gutters.

Conference Committee/Legislature: Include both the Senate and Assembly provisions, modified to specify that the public hearing and notice requirements included in the Assembly provision extend to resolutions adopted by municipal governing bodies that allow special charges to be imposed in the municipality by an adjacent municipality.

Veto by Governor [F-19]: Delete provision.

[Act 16 Vetoed Sections: 2022tL, 2022w, 2022x, 2023 and 9359(8z)]

6. GROSS REVENUES TAX ON TELEPHONE COMPANIES

Senate: Authorize municipalities (defined as cities, villages or towns) to impose a tax on telephone companies based on each company's gross revenues attributable to intrastate telecommunications services that originate from or are received at a service address located in the municipality. Specify that the tax may be imposed upon passage of an authorizing ordinance adopted by the municipality's governing body and that the tax shall be effective on the first day of the calendar quarter beginning after the ordinance is adopted. Set the rate of taxation at 2%.

Define telephone company as a business that provides telecommunications services. Define telecommunications services as transmitting high quality two-way interactive switched voice or data communications or messages. Define service address as the location from which telecommunications services originate or terminate. Specify that for mobile telecommunications services, the service address is the location of the customer's place of primary use of mobile telecommunications services, as determined under federal law. Define mobile telecommunications services as commercial mobile radio service, as defined under federal law.

Define gross revenues as revenues derived from local and rural exchange service, toll business gross revenues, access revenues and all other operating revenues from providing telecommunications services. Specify that gross revenues does not include excise taxes on telephone service or facilities. Specify that gross revenues does not include uncollectable

telecommunications revenues actually written off during the year, but does include recoveries within the year of all telecommunications revenues written off in prior years as uncollectable. Define access revenues as revenues resulting from charges for telecommunications services and facilities, including charges to a telephone company, that permit subscriber telecommunications to originate or terminate between a point or points in one telephone exchange and a point or points in another telephone exchange. Specify that access revenues included in gross revenues does not include amounts derived from telecommunications services that originate or terminate from a point or points in this state to a point or points in the same local access and transport area and 14.5% of all other access revenues generated from intrastate service. Define local access and transport area as a geographic area encompassing one telephone exchange or two or more contiguous telephone exchanges. Define telephone exchange as the portion of an area served by a telephone company that is included in the exchange rate determined by the Public Service Commission.

Prohibit telephone companies from listing the tax separately on bills to customers.

Require telephone companies to pay the tax on the 15th day of January, April, July and October on the basis of revenues attributable to each municipality imposing the tax during the most recent calendar quarter. Require telephone companies to file a return with each payment, on a form prescribed by DOR, that reports the gross revenues of the company attributable to the municipality imposing the tax.

Authorize municipalities imposing the tax to examine the records, books, accounts and other documents of any telephone company with revenues attributable to the municipality and to take any action and conduct any proceedings to administer the tax. Authorize municipalities to impose penalties and interest on telephone companies for failure to file a report or make a payment.

Authorize municipalities to impose the fee on gross revenues received by telephone companies as of October 1, 2001.

Conference Committee/Legislature: Delete provision.

7. IMPACT FEES

Assembly: Remove counties from the definition of political subdivisions authorized to impose impact fees and repeal provisions prohibiting counties from imposing impact fees to recover costs related to transportation projects. Modify the definition of public facilities for which impact fees may be imposed by removing "other transportation facilities," "solid waste and recycling facilities," and "libraries" and by replacing "parks, playgrounds and other recreational facilities" with "lands for parks." Delete the current law provision that specifies that impact fees are payable before a building permit may be issued or other required approval may be given by the political subdivision and, instead, prohibit municipalities from requiring

developers to pay impact fees before building permits have been issued for the construction of a dwelling or other structure within the land development.

Conference Committee/Legislature: Delete provision.

8. SEWERAGE SYSTEM SERVICE CHARGES

Assembly: Prohibit any standby charges, connection fees or other charges that are not uniformly assessed against all users as part of the periodic sewerage service charges, unless the charges were adopted as part of an ordinance adopted in compliance with the impact fee statute.

Conference Committee/Legislature: Delete provision.

9. LOCAL PROFESSIONAL BASEBALL PARK DISTRICTS

Senate/Legislature: Increase the population threshold for a county that could create a local professional baseball park district from 500,000 to 600,000. Under current law, a local professional baseball park district could be created in any county with a population exceeding 500,000 and the district's jurisdiction would include all counties that are contiguous to that county. Currently, the Southeast Wisconsin Professional Baseball Park District, which is made up of Milwaukee, Ozaukee, Racine, Washington and Waukesha counties, is the state's only local professional baseball park district.

[Act 16 Sections: 3036e and 3036g]

Other Credits

Descriptions of the budget provisions related to the earned income tax credit, cigarette tax refunds and the development zones tax credits are provided under "General Fund Taxes."